ROSHKA DEWULF & PATTEN

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2007 NOV 30 P 3: 41

November 30, 2007

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HAND DELIVERED

Jerry D. Anderson **Utilities Division** Arizona Corporation Commission 1200 West Washington Street Phoenix, Arizona 85007

Re:

Morenci Water & Electric Company's PPFAC Rate

Docket No. E-01049A-04-0936

Arizona Corporation Commission DOCKETED

NOV 3 0 2007

DOCKETED BY

Dear Mr. Anderson:

I am writing with respect to the PPFAC bank balance for Morenci Water & Electric Company ("MWE"). Decision No. 68438 (February 2, 2006) established an over-collected threshold level of \$200,000 for MWE's PPFAC bank balance. Decision No. 68438 noted, in Finding of Fact No. 3, that the intent of the threshold "is to trigger some type of action by the Company to come to the Commission to address the bank balance when it reaches or exceeds a designated level. . . . The threshold simply serves as a review point to highlight that the bank balance is becoming relatively large, and the Company should come to the Commission in some manner to address it. The Commission may or may not choose to act on it at that time." This letter is intended to inform the Commission that the MWE PPFAC bank balance has exceeded the overcollection threshold and to provide the Commission with information that supports simply maintaining the current PPFAC at this time.

As the attached spreadsheets indicate, MWE's bank balance has exceeded the \$200,000 threshold level and will remain above that level by the end of December, 2007. However, in 2008, MWE's unit cost for purchased power will rise from \$0.04837 per kWh to \$0.06315 per kWh. This unit cost will rise again to \$0.06880 per kWh in 2009. With the current PPFAC rate of (\$0.01900), the total rate collected from customers will be \$0.05622 per kWh, which is \$0.00693 per kWh less than the actual cost for purchased power in 2008, and \$0.012580 per kWh less than the actual cost for purchased power in 2009.

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cc:

As a result, as set forth in the attached spreadsheet, MWE anticipates the PPFAC bank balance will be approximately \$120,000 over-collected by the end of 2008. By the end of 2009, MWE anticipates an *under-collection* of over \$275,000. These calculations assume that the current PPFAC rate of negative \$0.01900 per kWh (set in Decision No. 68813 (June 29, 2006)) remains in place. Adjusting the PPFAC rate now to reduce the over-collected balance at a greater rate will exacerbate the under-collected balance later and will require an increase in the PPFAC rate in the near future (probably within the next twelve to fifteen months). Therefore, MWE customers would experience an oscillating rate over a short period of time if the PPFAC rate is adjusted now to address the temporary over-collection above the threshold.

MWE believes that the intent of establishing the threshold levels in Decision No. 68438 was to examine current purchased power costs and market conditions and to determine whether a change in the PPFAC rate is appropriate. For the reasons set forth above, MWE believes that an adjustment to its PPFAC rate at this time is not necessary, appropriate or in the public interest. Should, however, Staff feel differently, then MWE requests that this letter be treated as a new application to review the PPFAC rate for MWE.

Please contact me if you have any remaining questions or concerns.

Jason D. Gellman

Kim Battista, Compliance Section Chief, Utilities Division Christopher Kempley, Chief Counsel Docket Control (13 copies)

	Present PPFAC Rate per kWh	2007	2008	2009
1	Beginning Bank Balance - Under (Over)	(\$128,774)	(\$369,747)	(\$121,271)
2A	Jurisdictional Sales	30,948,234	30,710,455	30,150,167
2B	Total Sales(incl Spec Cont)	1,879,307,164	2,038,838,716	2,023,548,218
2C	Special Contract Sales	1,848,358,930	2,042,338,499	2,026,747,743
3	Actual Cost of Purchased Power	\$90,900,622	\$128,753,074	\$139,220,880
4	Unit Cost of Purchased Power	0.048369	0.063150	0.068800
5	Authorized Base Cost of Pur. Pow: Per Decision	0.07522	0.07522	0.07522
	No 57712 Dated 10/10/85			
6	Supplemental PPFA per Decision No. 61298 Dated	(\$0.01900)	(\$0.01900)	(\$0.01900)
	12/98			
7	Total Rate Collected From Customer	\$0.05622	\$0.05622	\$0.05622
8	Incremental Difference between authorized and	(\$0.00785)	\$0.00693	\$0.01258
	actual recovery:			
9	Net change to Bank balance:	(\$240,972)	\$248,475	\$397,264
10	Adjustments to Bank Balance	\$0	\$0	\$0_
11	Preapproved DSM costs	\$0	\$0	\$0
12	Ending Bank Balance:	(\$369,746)	(\$121,272)	\$275,993

Ending Bank Balance from Previous Month Jurisdictional Sales Total Sales(fucl Spec Cont) Special Contract Sales Actual Cost of Purchased Power Unit Cost of Purchased Power Authorid Base Cost of Pur. Pow. Per Decision No 57712 Dated 10/10/85 Total Rate Collected From Customer Incremental Difference between authorized and actual recovery:	Actual Jan-07 (128774) 2,783,498 148474806 145691308 7,001,614 0,047157 0,07522 0,019000 0,006022 (0,009063)	Actual Feb-07 (154001) 2,285,386 124123510 5,935,313 0,046953 0,07522 0,0000000 0,0000000 0,0000000 0,00002000		MORENCI WATER ELECTRIC CO PURCHASED POWER FUEL ADJUSTER Actual Actual Actual Actual Apr-D7 (21339) (2333- 1,887,136 2,520,561 2,411,1 15448646 100364976 1614758 15486464 100364976 1614758 15784441 159044 17,466,698 7,749,974 8,156,000 0,00522 0,001 0,001900 0,001900 0,0010 0,005622 0,00562 0,005622 0,00562 0,005622 0,00562 0,005622 0,00562 0,005622 0,00562	MORENCI WATER ELECITRIC CO. PURCHASED POWER FUEL ADJUSTER BANK BALANCE REPORT FA.1 Actual Actual Actual Apr.D7 (188515) (213389) (21338) 1.887,136 2,520,561 2,411,7 154884697 814752 155287510 17784415 159084 17,466,698 7,749,974 81,581,00,48533 0,04827 0,0552 0,019522 0,07522 0,019522 0,07522 0,019522 0,07522 0,019522 0,07522 0,019522 0,00552 0,005622 0,00562	RIC CO. JUSTER Actual Actual Jun-07 2,411,732 1864,78919 1864,78919 1864,78919 0,00522 0,00522 0,00522 0,005628 (0,005628)	Actual Jul-07 (247035) 2, 909, 460 (168130667 (16827107 8, 799, 203 0, 0.5336 (0.01900 0, 0.0000000 (0.003884)	Actual Aug-07 (268337) 3,272,958 (160102370 16602370 0,055347 0,05522 0,001900 0,0000000 0,006522 (10,06522 (10,06522)	Actual Sep-07 Sep-07 2,784,847 148974456 146186609 6,714,864 0,045075 0,045075 0,05622 (0,01115)	Actual Oct-07 (300088) 2,917,702 164557331 161639629 7,729,545 0,046372 0,016900 0,00000000 0,006625	Fest Nov-07 (327072) 2,664,067 170373593 197708528 8,156,240 0,047873 0,047622 0,047620 0,00000000 0,00000000 0,000035)	Fest Dec-07 (343310) 2,441,224 176083878 176083878 17605326 0,047848 0,047848 0,07522 0,01900 0,00000000 0,0000377)	Total (\$128,774) 30,948,234 1,879,307,164 1,848,358,930 9,04,938,930 0,04,838 0,04,8
Net change to Bank balance: Adjustments to Bank Balance Preapproved DSM costs Ending Bank Balance:	(25227) 0 0	(21178) 0 0	(23336)	(14884)	(19894.5) 0 0 1706. 2841	(13741) · 0 0 0	(11302) 0 0	(10713) 0 0 0 (28 MORO)	(31038) 0 0 0	(26984)	(22238)	(20437)	(\$240,972) \$0 \$0
Ending Bank Balance from Previous Month Jurisdictional Sales Total Sales(find Spec Cont) Special Contract Sales Actual Cost of Purchased Power Unit Cost of Purchased Power Authorized Base Cost of Pur. Pow. Per Decision No 57712 Dated 10/10/85	Jan-08 (36977) 2,771,052 178050895 173279843 9,504,870 0,053889	Feb-08 (375928) 2,274,413 159036559 156762145 8,455,657 0,053168 0,07522	Mar-08 (382869) 2,055,915 176122409 174066494 9,003,978 0,051123	Apr.08 (393347) 1,871,390 170452861 168581471 9,009,847 0,052868 0,07522	May-08 (399638) 2,475,423 176080458 173605055 9,165,222 0.052051	Jun-08 (409957) 2,567,116 170383288 167816172 12,276,113 0,072050 0,07522	Jul-08 (369320) 2,587,296 176069270 173481974 13,258,106 0,075301 0.07522	Aug-08 (319953) 3,192,936 176008706 172815770 13,166,203 0,074804 0,07522	Sep-08 (260615) 3.031,915 136128570 167304893 10,603.064 0.077891	0ct-08 (194910) 2,833,730 173210897 11,144,478 0,063305 0,07522	Nov-08 (174833) 2,628,456 170377154 167748699 11,286,150 0.066242	Dec-08 (148490) 2,420,813 178085919 173665106 11,879,386 0.067464	(\$369,747) 30,710,455 2,038,838,716 2,042,338,499 \$128,753,074 0.083150
Supplemental PPFA per Decision No. 61298 Dated 12/98 Total Rate Collected From Customer Incremental Difference between authorized and actual recovery: Net change to Bank Dalance: Adjustments to Bank Balance Preapproved DSM costs Ending Bank Balance:	0,01900 0,000000 0,000231 (0,00231) (1811) 0	0.001900 0.01900 0.000000 0.000000 0.000000 0.000000 (0.000000) (0.000000 (0.000000) (0.00000000000000000000000000	0.01900 0.000000 0.05622 (0.005097) (10478) 0	0.01900 0.000000 0.05622 (0.003362) (6291) 0	0.01900 0.0000000 0.05622 (0.004189) (10319.2) 0 0	0.01900 0.0000000 0.05622 0.015830 40637 0 0	0,01900 0.000000 0.05622 0.019081 49367 0	0.01900 0.000000 0.05622 0.01858 59338 0 0	0.01900 0.000000 0.05622 0.02167 65705 0	0,01900 0,0000000 0,06022 0,000708 20077 0 0	0.01900 0.000000 0.05622 0.011002 26343 0 0	0.01900 0.000000 0.0522 0.01124 27219 0 0	0,01900 \$0 0.05622 0,00693 \$248,475 \$0
Ending Bank Balance from Previous Month Juisdictional Sales Total Sales(incl Spec Cont) Special Contract Sales Actual Cost of Purchased Power Unit Cost of Purchased Power Unit Cost of Purchased Power Unit Cost of Purchased Power Total Rase Cost of Pur Pow. Per Decision No 57712 Dated 10/10/85 Supplemental PPFA per Decision No. 61298 Dated 12/98 Total Rase Collected From Customer Incremental Difference between authorized and actual recovery: Net change to Bank balance: Adjustments to Bank Balance Preapproved DSM costs	Jan-09 (121271) 2,721,977 174,540,945 171,818,968 111,802,011 0,07522 0,07522 0,001397 31,024 0	Feb-09 (90247) 2,233,931 157,853,935 10,422,547 0,086110 0,07522 0,0009890 22,094 0 0	Mar-09 (88153) 2,015,377 174,578,036 172562659 10,309,717 0,062482 0,07522 0,07522 0,0000000 0,05622 0,006272 12,640 12,640 0	Apr-09 (55513) 1.829.612 (55513) 1.829.612 (55513) 1.829.612 (5551671) 1.022.983 (5552) 1.022.983 (5552) 1.022.983 (5552) 1.02528 (5552) 1.022.983 (5552) 1.022.983 (5552) 1.022.99378 (5552) 1.029378 (5552)	May-09 (38954) 2,417,475 172062765 11,195,931 0,004167 0,07522 0,0000000 0,06622 0,007947 19,212 0	Jun-09 (19142) 2,605,887 (18142) 2,605,887 (188,54,659 (1974) 2,11	Jul-09 23022 2,543 07 174 687,713 172143905 13,322,099 0,07522 0,07522 0,07522 0,000000 0,0000000 0,00002 0,00	Aug-09 74006 3,131,088 3,1174,157,165 1171,026,097 13,227,382 0,07522 0,07522 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931 0,075931	Sep-09 135785 2,975,000 138,126,570 166501262 10,588,241 0,077866 0,07522 0,01900 0,05632 0,02164 64,386 64,386	Oct-09 200151 2,790,023 175,083,287 11742,279 0,083621 0,07522 0,0000000 0,00000000 0,000733 20,734 0 0	Nov-08 220865 2,588,640 169,527 165 169,527 165 0,07522 0,07502 0,000000 0,0000000 0,000000 0,000000 0,000000	Dec-09 247916 2,397,270 175,138,386 11,897,438 0,00732 0,07532 0,07632 0,06732 0,06732 0,01507 0,05632 0,01577 28,077 0,01771	(\$121,271) \$30,150,167 \$2,025,482.18 2,026,747,743 \$139,220,880 0,0752 0,0752 0,0752 0,01900 0,06622 0,01268 997,284 \$50